

[REDACTED]
[REDACTED]
[REDACTED]
OCT 18 1950

CERTIFIED MAIL

Dear Applicant:

We have completed our review of your application for recognition of exemption from federal income tax under section 501(c)(7) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of [REDACTED]. The purpose for which the Corporation is formed is exclusively for pleasure, recreation and other similar nonprofitable purposes and to promote the hunting of foxes by horse and hound in [REDACTED], [REDACTED] and [REDACTED], to own, maintain, operate and hunt a pack of foxhounds and such hunt horses as may be incidental thereto and to employ huntsmen, whippers-in and other employees to hunt and care for said foxhounds and hunt horses.

Your activities, as stated in your application, include promoting and advancing the sport of foxhunting.

Income to support this activities comes from various fundraisers. The largest fundraiser is the point-to-point races. This includes a one-day program of racing, some on the flat and some over hurdles. There is a race in traditional hunt gear and a hound race and a mule race. These events are open to the public. Funds from this function come from the sale of parking places, sale of advertising and programs.

Other fund raising events include a silent auction, a horse show where the general public is encouraged to attend and a trail ride and picnic where the public is also encouraged to attend.

Income from this event totalled \$[REDACTED] in [REDACTED] from the [REDACTED] races, \$[REDACTED] from the spring trail ride, \$[REDACTED] from the fall trail ride, \$[REDACTED] from the horse show and \$[REDACTED] from miscellaneous source. Approximately [REDACTED]% of your organization's income during [REDACTED] came from these sources.

Section 501(c)(7) of the Internal Revenue Code provides for the exemption from federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(7) of the Income Tax Regulations relating to the exemption of social clubs under section 501(a) of the Internal Revenue Code reads as follows:

The exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder or individual. In general, this exemption extends to social and recreational clubs which are supported solely by membership fees, dues and assessments.

A club which engages in business, such as making its social and recreational facilities available to the general public, or by selling real estate, timber or other products is not organized and operated exclusively for pleasure and recreation. Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in a business and is not being operated exclusively for pleasure, recreation or social purposes.

Public Law 94-568, as explained in Senate Report No. 94-1318, published in Cumulative Bulletin 1976-2, page 597, provides that a club exempt from taxation and described in section 501(c)(7) is to be permitted to receive up to 35% of its gross receipts from a combination of investment income and receipts from non-members (from the use of its facilities or services) so long as the latter do not represent more than 15 percent of the total receipts. It is further stated that if an organization exceeds these limits, all of the facts and circumstances must be considered in determining whether the

Revenue Ruling 68-119, published in Cumulative Bulletin 1968-1, page 268, holds that a club will not necessarily lose its exempt status if it derives income from other than bona fide members and their guests, or if the general public on occasion is permitted to participate in its affairs, provided such participation is incidental to and in furtherance of its general club purpose and the income therefrom does not inure to members. The equestrian club considered in this ruling held an annual steeplechase which was open to the general public. Prize money was paid from entry fees paid by participants and general expenses of the meet were paid from admissions and sale of programs and refreshments. The club distributed any net proceeds from the meet to charity. Therefore, it was held the meet was not operated to make a profit, and the income from non-members did not inure to the benefit of members. The club's exemption was not jeopardized by non-members participation in its annual meet.

Our review of the application submitted shows that your non-member income is approximately █% of your total income. This amount exceeds the permissible amounts under section 501(c)(7) of the Code.

Based on the information submitted, your organization does not meet the requirements to be exempt under section 501(c)(7) since your non-member income exceeds the limits set by Public Law 94-568 and is more than 15% of your total receipts. We have also determined that your net income inures to the benefit of club members.

Therefore, you are a taxable entity and are required to file federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination of this matter.

Sincerely yours,

██████████
District Director

Enclosure: Publication 892